GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

STARRED QUESTION NO:67
ANSWERED ON:22.11.2002
BAILOUT PACKAGE TO UTI
GAJENDRA SINGH RAJUKHEDI;SUNIL KHAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have issued a new bailout package of Rs. 14,000/ - crores in order to meet the UTI`s liabilities on flagship scheme US-64 and assured return scheme;

(b) if so, the details of the outstanding liabilities of the UTI on US-64 Scheme alongwith details of the liabilities already disposed of after February 2002;

(c) the amount of loss suffered by the UTI due to recent fallout resulting in severe redemption pressure from the investors;

(d) whether the flagship US-64 scheme is still facing severe redemption pressure from the investors; and

(e) if so, the measures taken by the Government to tackle the situation?

Answer

MINISTER OF FINANCE & COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a) to (e) : A Statement is placed on the Table of the House.

Statement referred in reply to parts (a) to (e) of the Lok Sabha Starred Question No. 67for 22nd November, 2OO2 regarding Bailout Package to UTI.

(a) : It is not a `bailout`, as suggested. The government had already announced a reform package for supporting investors in the US-64 Scheme. This package was given final shape on 31st August 2002. The Scheme envisages (i) providing support to UTI for meeting obligations of redemption under the US-64 Scheme as and when they arise; (ii) support to such of those Assured Return and Monthly Income Plan Schemes where the NAV is lower than the face value; (iii) resetting interest rates of such Assured Return Schemes to lower levels wherever feasible and; (iv) separating UTI into two units of which one would manage NAV based schemes and the other US-64 and such of those Assured Return and Monthly Income Plan Schemes where the NAV was lower than the face value. To opertionalise the decision on bifurcation, an Ordinance has been promulgated on 29th October, 2002 which provides, inter alia, for repeal of the UTI Act and bifurcation of the UTI into two entities - one (Unit-II) to be run as a Company under the Companies Act and the other (Unit-I) to be managed by Governmentappointed Administrator. The commitment likely to devolve on the Government on account of US-64 and Assured Retuurn Schemes could depend upon the markd conditions.

(b) According to UTI, as on October, 28, 2002, subject to certain assumptions, the estimated difference between the net asset value (NAV) and the assured repurchased prices upto May, 2003 is Rs.6,571 crores approximately. Repurchases between February 01, 2002 and October 31, 2002 have been to the extent of Rs.872 crores under assured repurchase price and Rs.186 crores under the NAV based repurchases.

(c) UTI has intimated that the rednnption pressure for the last one year was not severeThe repurchase under all schemes for the period July O1, 2002 to November 15, 2002 was Rs.3023 crores against sales of Rs. 3160 crores.

(d) No, Sir.

(e) Does not arise.